

ORIGINAL




MEMORANDUM

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Cheryl T. Farson, General Counsel
Corporation Commission—Securities Division
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TO: Docket Control

FROM: Cheryl T. Farson 

DATE: November 4, 2004

RE: Docket # RS-00000A-04-0649


Please file the attached Notice of Proposed Rulemaking, receipt, and agency certificate in docket # RS-00000A-04-0649. No distribution is necessary.

Thank you.

Arizona Corporation Commission

DOCKETED

NOV - 8 2004

DOCKETED BY	
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RECEIVED
2004 NOV - 8 P 12:21
AZ CORP COMMISSION
DOCUMENT CONTROL

AGENCY RECEIPT

SECRETARY OF STATE

for

2004 NOV -4 PM 3:32

NOTICE OF PROPOSED RULEMAKING

FILED

1. Agency Name: Arizona Corporation Commission, Securities Division
2. The Articles and the Sections involved in the rulemaking listed in alphabetical and numerical order:

Subchapters, Articles, Parts, and Sections

Action

Article 1

Section R14-4-116

Amend

2004 NOV -4 PM 3:33

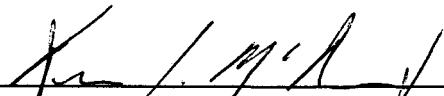
AGENCY CERTIFICATE **Notice of Proposed Rulemaking**

FILED

1. **Agency name:** Arizona Corporation Commission, Securities Division
2. **Chapter heading:** Chapter 4. Corporation Commission , Securities
3. **Code citation for Chapter:** 14 A.A.C. 4
4. **The Subchapters, if applicable; the Articles; the Parts, if applicable; and the Sections involved in the rulemaking, listed in numerical order:**

Subchapters, Articles, Parts, and Sections	Action
Article 1. In General Relating to the Securities Act	
R14-4-116	Amend

5. **The rule contained in this package is true and correct as proposed.**

6.  _____ Signature of Executive Secretary of the Arizona Corporation Commission	<u>3 NOV 04</u> _____ Date of Signing
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Brian C. McNeil _____ Typed Name of Signer	Executive Secretary _____ Title of Signer
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7. **Exempt from Governor's Regulatory Review Council: A.R.S. § 41-1057**

NOTICE OF PROPOSED RULEMAKING

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION

CHAPTER 4. CORPORATION COMMISSION—SECURITIES

ARTICLE 1. IN GENERAL RELATING TO THE ARIZONA SECURITIES ACT

PREAMBLE

1. Sections Affected Rulemaking Action
A.A.C. R14-4-116 Amend
2. The statutory authority for the rulemaking, including both the authorizing statute (general) and the statute the rule is implementing (specific):
Authorizing statute: A.R.S. § 44-1821
Implementing statute: A.R.S. § 44-1891
Constitutional authority: Arizona Constitution, Article XV, §§ 4 and 13
3. A list of all previous notices appearing in the Register addressing the proposed rule.
Notice of Rulemaking Docket Opening 10 A.A.R. 4122, October 8, 2004
4. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:
Name: Cheryl T. Farson, General Counsel
Address: Arizona Corporation Commission, Securities Division
1300 W. Washington, Third Floor
Phoenix, AZ 85007-2996
Telephone: (602) 542-0193
Fax Number: (602) 594-7476
E-mail: cf@ccsd.cc.state.az.us

5. An explanation of the rule, including the agency's reasons for initiating the rule:

Rule 116 identifies the North American Securities Administrators Association ("NASAA") Statements of Policy used by the Arizona Corporation Commission (the "Commission") as its standard of review for applications for registration of specified types of securities transactions. In connection with church extension funds, rule 116 currently incorporates and the Commission applies the guidelines for general obligation financing by religious denominations, adopted by NASAA in April 1994. NASAA has amended the guidelines and renamed them the Statement of Policy Regarding Church Extension Fund Securities. The Commission proposes amending rule 116 to reflect the revised name and to incorporate the amended Statement of Policy.

Generally, the NASAA amendment increases investor protection, addresses developing industry practices, and modernizes the 1994 guidelines. The new statement of policy imposes enhanced financial standards, increases requirements for disclosure of information relevant to the industry, including identification of risks specific to the industry that must be disclosed, and modernizes accounting terminology and standards for nonprofit entities.

Prior to proposing the amendment to the NASAA guidelines, a NASAA project group solicited comments from all of the state securities regulatory agencies and the industry trade association, the Denominational Investment and Loan Association. NASAA adopted the project group's recommended amendment April 18, 2004.

The Commission proposes to amend rule 116 to incorporate the NASAA amended Statement of Policy to enhance investor protection, to reflect current industry practices, and to enhance uniformity among the states with respect to the standard of review applied to applications for registration of debt securities issued by a church extension fund.

6. A reference to any study relevant to the rule that the agency reviewed and either proposes to rely on in its evaluation of or justification for the rule or proposes not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

None.

7. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

8. The preliminary summary of the economic, small business, and consumer impact:

The economic, small business, and consumer impact statement for rule 116 analyzes the costs, savings, and benefits that accrue to the Commission, the regulated public, and the general public. The amendment to rule 116 has minimal impact on established Commission procedures, Commission staff time, and other administrative costs. The benefits provided by the amendment to rule 116 are not quantifiable. The amendment of rule 116 should benefit the Commission by improving the efficiency of the review process for applications for registration by church extension funds. The amendment should improve the Commission's relations with the regulated public because of clarification and specificity of standards for registration and increased uniformity with other state registration standards. The public should benefit from the continuation and enhancement of standards on debt offerings by church extension funds. The Commission anticipates that the rulemaking will not significantly increase monitoring, record keeping, or reporting burdens on businesses or persons. The Commission does not anticipate that the rulemaking will significantly impact costs of implementation or enforcement.

9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Cheryl T. Farson, General Counsel

Address: Arizona Corporation Commission, Securities Division
1300 W. Washington, Third Floor
Phoenix, AZ 85007-2996

Telephone: (602) 542-0193

Fax Number: (602) 594-7476

E-mail: cf@ccsd.cc.state.az.us

10. The time, place, and nature of the proceedings for the making, amendment, or repeal of the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

Date: January 6, 2005

Time: 9:30 a.m.

Location: Arizona Corporation Commission
1200 West Washington Avenue
Phoenix, Arizona 85007

Nature: Oral proceeding. Subsequent to the oral proceeding, the Arizona Corporation Commission will taken final action at an open meeting with respect to the making of the proposed rule.

11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None.

12. Incorporations by reference and their location in the rule:

The following NASAA materials are incorporated by reference in rule 116(A):

1. Statement of policy regarding loans and other material affiliated transactions, amended November 18, 1997.
2. Registration of asset-backed securities, adopted October 25, 1995.
3. NASAA mortgage program guidelines, adopted September 10, 1996.
4. Registration of commodity pool programs, adopted September 21, 1983, effective January 1, 1984; amended and adopted August 30, 1990.
5. Equipment programs, adopted November 20, 1986, effective January 1, 1987, amended April 22, 1988, and October 24, 1991.
6. Registration of oil and gas programs, adopted September 22, 1976, amended October 12, 1977, October 31, 1979, April 23, 1983, July 1, 1984, September 3, 1987, September 14, 1989, and October 24, 1991.
7. Statement of policy regarding real estate investment trusts, revised and adopted September 29, 1993.
8. Real estate programs, last revised September 29, 1993.
9. Statement of policy regarding unequal voting rights, adopted and effective October 24, 1991.
10. Omnibus Guidelines, adopted March 29, 1992.
11. Statement of policy regarding church extension fund securities, adopted April 17, 1994, entitled guidelines for general obligation financing by religious denominations, amended April 18, 2004.
12. Statement of policy regarding church bonds, adopted April 14, 2002.
13. The full text of the rule follows:

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 4. CORPORATION COMMISSION—SECURITIES

ARTICLE 1. IN GENERAL RELATING TO THE ARIZONA SECURITIES ACT

Sections

R14-4-116. NASAA Statements of Policy

R14-4-116. NASAA Statements of Policy

- A. Unless otherwise provided in A.R.S. Title 44, Chapter 12, Article 7, transactions that fall within one or more of the following North American Securities Administrators Association (NASAA) statements of policy shall comply with the requirements of those statements of policy to qualify for registration or renewal under A.R.S. Title 44, Chapter 12, Article 7.

This Section shall not apply to the registration of securities under A.R.S. § 44-1901.

1. Statement of policy regarding loans and other material affiliated transactions, amended November 18, 1997.
2. Registration of asset-backed securities, adopted October 25, 1995.
3. NASAA mortgage program guidelines, adopted September 10, 1996.
4. Registration of commodity pool programs, adopted ~~on~~ September 21, 1983, effective January 1, 1984; amended and adopted August 30, 1990.
5. Equipment programs, adopted ~~on~~ November 20, 1986, effective January 1, 1987; amended April 22, 1988, and October 24, 1991.
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7. Statement of policy regarding real estate investment trusts, revised and adopted ~~on~~ September 29, 1993.
8. Real estate programs, last revised September 29, 1993.
9. Statement of policy regarding unequal voting rights, adopted and effective October 24, 1991.
10. Omnibus Guidelines, adopted ~~on~~ March 29, 1992.

11. ~~Guidelines for general obligation financing by religious denominations, Statement of policy regarding church extension fund securities, adopted April 17, 1994, entitled guidelines for general obligation financing by religious denominations; amended April 18, 2004.~~

12. Statement of policy regarding church bonds, adopted April 14, 2002.

- B. The ~~statements of policy material~~ listed in subsection (A) ~~are~~ is incorporated by reference and on file with the Commission and the Office of the Secretary of State. The incorporated ~~statements of policy do material does~~ not contain later editions or amendments. The ~~statements of policy are material is~~ published in *NASAA Reports* by Commerce Clearing House, Inc., 4025 West Peterson Avenue, Chicago, Illinois 60646. Copies are ~~also~~ available from NASAA, 10 G Street, N.E., Suite 710, Washington D.C. 20002, ~~and at the Office of the Secretary of State~~ and the Commission.